

## Message Text

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PAGE 01 STATE 215514

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TO AMEMBASSY LONDON IMMEDIATE

SECRET STATE 215514

EXDIS

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.), UK

SUBJECT: SECRETARY'S MEETING WITH FOREIGN SECRETARY

CALLAGHAN

1. AT BREAKFAST MEETING HOSTED BY SECRETARY FOR FOREIGN  
SECRETARY CALLAGHAN ON SEPTEMBER 24, DISCUSSION COVERED  
WIDE RANGE OF SUBJECTS INCLUDING IEP, RECYCLING OF OIL  
REVENUES, US ECONOMIC POLICY, CYPRUS, MIDDLE EAST, MBFR,  
CSCE, AND UK MEMBERSHIP IN THE EC.

2. IEP: CALLAGHAN ASKED ABOUT PROSPECTS FOR CONGRESSIONAL  
APPROVAL OF US MEMBERSHIP IN THE IEP. THE SECRETARY RE-  
PLIED THAT WE HAVE NOT ENCOUNTERED ANY MARKED OPPOSITION  
IN DISCUSSION WITH CONGRESSIONAL LEADERS.

3. RECYCLING: CALLAGHAN SAID HE THOUGHT NEW INTERMEDIATE  
FINANCIAL INSTITUTIONS WERE REQUIRED TO HELP CONTROL FLOW  
OF ARAB FUNDS SO THAT ONUS FOR SUCH CONTROL NEED NOT REST  
ON WESTERN GOVERNMENTS. THE SECRETARY SAID THE US BELIEVES  
MECHANISM MUST BE CREATED TO HANDLE THESE SURPLUS REVENUES  
WHICH WILL EQUALIZE THE PROBLEM AMONG ALL COUNTRIES. THE  
SECRET

SECRET

PAGE 02 STATE 215514

US VIEWS THE IEP AS A SMALL, BUT IMPORTANT FIRST STEP.

4. US ECONOMIC POLICY: CALLAGHAN STATED THAT IF THE US ADOPTS A POLICY OF CONTROLLING INFLATION AT ALL COSTS, IT WOULD CAUSE PROBLEMS IN EUROPE, AND POSSIBLY ENDANGER US

FOREIGN POLICY OBJECTIVES THERE. THE SECRETARY SAID FOREIGN POLICY CONSIDERATIONS WILL BE GIVEN DUE WEIGHT AND CONSULTATION WITH EUROPEAN ALLIES WILL BE CONDUCTED AS US MOVES AHEAD IN THIS AREA.

5. CYPRUS: THE SECRETARY SAID WE BELIEVE THAT A GENUINE NEGOTIATING PROCESS WILL NOT BEGIN UNTIL AFTER THE GREEK ELECTION IN NOVEMBER. FOR THE TIME BEING, THE CLERIDES-DENKTASH FORUM IS THE ONLY FEASIBLE ONE. CALLAGHAN INDICATED AGREEMENT WITH THIS VIEW. HE ADDED THAT THE ONLY PRACTICAL SOLUTION APPEARED TO BE A FEDERAL-TYPE FORMULA, ALTHOUGH THE UK UNDERSTOOD FROM RECENT CONTACTS WITH MAKARIOS THAT HE DOES NOT FAVOR THIS APPROACH.

6. MIDDLE EAST: THE SECRETARY SAID THE US HOPES TO SEE NEGOTIATIONS MOVE AHEAD BETWEEN ISRAEL AND ITS ARAB NEIGHBORS. IF NO PROGRESS IS MADE IN THE NEXT FEW MONTHS, 1975 COULD BE A BAD YEAR. THE US BELIEVES IT WILL BE NECESSARY TO PROCEED WITH THE NEGOTIATIONS IN STAGES. EGYPT-ISRAEL AND ISRAEL-JORDAN NEGOTIATIONS OFFER THE EARLIEST PROSPECT FOR PROGRESS, BUT SYRIA WILL HAVE TO BE INVOLVED AT SOME POINT. IT REMAINS TO BE SEEN WHETHER ISRAEL CAN MAKE THE DIFFICULT DECISIONS INVOLVED.

7. MBFR: CALLAGHAN SAID THE CURRENT UK DEFENSE REVIEW WILL UNDOUBTEDLY RESULT IN BUDGET REDUCTION, AND THIS MIGHT BE USED IN THE MBFR. IN THIS CONNECTION, HE INQUIRED IF THE US PLANS TO WITHDRAW SOME NUCLEAR WEAPONS FROM EUROPE AS REPORTED IN THE PRESS. THE SECRETARY REPLIED THAT NO AMERICAN NUCLEAR WEAPONS WILL BE WITHDRAWN FROM EUROPE WITHOUT FULL PRIOR CONSULTATIONS WITH OUR ALLIES.

8. CSCE: CALLAGHAN SAID THE UK REGARDED NEXT SPRING AS A REASONABLE TARGET DATE FOR BRINGING THE TALKS TO A SUCCESSFUL CONCLUSION, AND THE SECRETARY AGREED.

SECRET

PAGE 03 STATE 215514

9. UK MEMBERSHIP IN EC: CALLAGHAN SAID BRITISH PUBLIC OPINION IS NOT FAVORABLE TO UK MEMBERSHIP. HE NOTED THAT IF THE REFERENDUM GOES AGAINST CONTINUED MEMBERSHIP BY A SUBSTANTIAL MAJORITY, THERE WILL BE PROBLEMS. IN ANY CASE, THE GOVERNMENT WOULD NOT REGARD THIS AS A VOTE OF CONFIDENCE, OBLIGING IT TO RESIGN. MEANWHILE, IT IS WORK-

ING ON A STRATEGY TO PLACE ITS EC CONTRIBUTIONS MORE IN LINE WITH THE ABILITY OF THE UK TO PAY, AND TO BOLSTER THE CONCEPT OF INDIVIDUAL SOVEREIGNTY OF THE MEMBERS. THE SECRETARY SAID THAT ANY DECISION TAKEN BY THE UK WOULD HAVE OUR SYMPATHY AND SUPPORT, AND THAT THE US DOES NOT INTEND TO TAKE ANY PUBLIC POSITION ON THE MATTER. INGERSOLL

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